**Testimony of Daniel Fried**
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**before the**
**Senate Foreign Relations Committee**
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Chairman Biden, Ranking Member Lugar, Members of the Committee, thank you for inviting me to appear before you to discuss Russia and U.S.-Russia relations.

Russia is a great country, one we must work with it on important issues around the world. We have significant areas of common interest and want to build on these. We also have significant differences with certain policies of the current Russian government. This hearing is well timed, because we are in a more complicated period in our relations with Russia than we've been in some time.

Our differences notwithstanding, Russia today is not the Soviet Union. As President Bush has said, the Cold War is over. But the world has witnessed a series of statements and initiatives from Russian officials in recent months that have left us puzzled and in some cases concerned.

In the past few months, Russian leaders and senior officials have, in quick succession:

- Threatened to suspend Russia's obligations under the Treaty on Conventional Armed Forces in Europe, the CFE Treaty;
- Criticized U.S. plans for a modest missile defense system based in Europe and rejected our explanation that it is intended to counter potential threats from Iran, only to propose missile defense cooperation in Azerbaijan;
- Attacked U.S. agreements with Romania and Bulgaria to establish joint training facilities in those countries, even though this would involve no permanent stationing of U.S. forces;
- Left the impression that there's no will to find a realistic, prompt resolution of Kosovo's final status;
- Threatened the territorial integrity of Georgia and Moldova by giving renewed support to separatist regimes and issuing veiled threats to recognize breakaway regions in those countries.
- Further restricted freedom of assembly and association by preventing peaceful demonstrations as well as hindering the operation of organizations such as Internews.

These and other policy concerns have been accompanied by an inconsistent but still worrying toughening of Russian rhetoric about the United

States, Europe, and some of Russia's neighbors. The Russian media – increasingly state controlled – frequently paint an "enemy picture" of the United States. We have seen Russian efforts to strengthen monopoly control over energy resources in Central Asia and a willingness to use this control for political purposes. All these concerns, moreover, occur against a background of a steady deterioration of democratic practices within Russia.

In this context, some observers have suggested that Russia's relations with the West are at a post-Cold War low. Yet in other critical areas, our cooperation is advancing. These include:

- Nonproliferation (including nuclear);
- North Korea and Iran;
- Counterterrorism and Law Enforcement—and here I'd like to commend Senator Biden for his proposal to create an international nuclear forensics library;
- Cooperative Threat Reduction efforts, which result from Nunn-Lugar legislation;
- NATO-Russia Council (including the Status of Forces Agreement recently approved by the Russian Duma and President Putin);
- Some investment and business opportunities; and
- Progress in negotiations on Russia's accession to the World Trade Organization, including conclusion of our bilateral WTO market access agreement in November 2006.

Against this complex background, President Bush and President Putin will meet in Kennebunkport, a venue intended to allow the leaders to step back, consider how to avoid rhetorical escalation, and concentrate on a common agenda for efforts against common threats and to achieve shared goals.

Many ask why Russia has sharpened its rhetoric in the last few months. While Russia's impending electoral season may play a role, there may be deeper causes having to do with Russia's view of the world and its history over the past 16 years – that is, since the end of the Soviet Union.

Most people in the United States and Europe saw the end of communism and the breakup of the Soviet Union as an extension of the self-liberation of Eastern Europe starting in 1989. In these countries, regained national sovereignty was accompanied by difficult, painful, but generally successful political and economic reforms. It was also associated with the emergence of democratic, free market systems that are fully part of the Euroatlantic community. We had hoped that Russia, liberated from communism and the imperative of empire, would follow the same pattern.

But the Russian government and official media, and to a significant extent Russian society, see the 1990s as a decade of domestic decline and chaos. Many have bitter personal memories of the hardships of the 1990s: the wiped-

out savings; the increasing dysfunctionality of the state; the rise, especially after 1996, of massively corrupt and massively rich "oligarchs." Many Russians associate these problems with "democracy" and "reform" And see these domestic traumas through the external trauma of retreat. In Russia the perception exists that the collapse of the Soviet Bloc undid Russia's political gains in Europe in the twentieth century, and that the dissolution of the Soviet Union undid much of Russia's territorial expansion from the mid-seventeenth century.

In fact, the 1990s brought about a Europe whole, free and at peace, working with the United States in the wider world, with Russia welcome to play its part as a valued and respected partner. In the view of many Russians, however, the European order that emerged in the 1990s was imposed on a weak, vulnerable Russia. Many Russians cite NATO enlargement, the pro-Western orientation and aspirations of Georgia and to some extent Ukraine, and the unqualified and enthusiastic integration of the Baltics and even Central Europe into the Euroatlantic community, as an affront. They seem to hold the development of military relations between the United States and countries of the former Warsaw Pact and Soviet Union as a painful reminder of a period of weakness. They view the support of the United States and EU for the Euroatlantic aspirations of former Soviet states with suspicion.

This order was, in the view of many Russians, unjust; a function of a latter day "Time of Troubles" to be challenged and to some extent rolled back. We are witnessing a backlash.

The 1990s, in this narrative, are a modern-day "Time of Troubles" for Russia: a period of weakness with antecedents to Russia's past. In Russian history, periods of disorder ended with the reemergence of strong rulers who restored Russian power. In this current case, President Vladimir Putin is often seen as a restorer of order and a state builder, and on the international stage, as a leader who has halted national retreat and sought to reverse it. Russians attribute to Putin a return to national pride.

The United States does not believe any nation has the right to impose a sphere of influence on unwilling countries. We do not miss the end of the Soviet bloc but celebrate the fact that Central and Eastern Europeans gained their freedom after 1989. We welcome the states of Eurasia into the family of nations that can choose their own destinies and associations. My purpose is not to justify, but to explain, the sources of Russian behavior.

President Putin's popularity appears to be a function of Russia's new wealth – spectacularly concentrated in a small class of super rich Russians but spreading beyond to a growing middle class. This rising wealth is generated in part by high world prices for energy. In fact, much of Russia's new confidence and assertiveness is underpinned by this new affluence. High prices for oil and natural gas are not just bankrolling the government. Because of the dependence of many surrounding states on Russian energy supplies provided by Russian state-owned companies, the new riches give Russia greater influence.

Russia's current political situation is also influenced by the lack of a free media or robust opposition that would critique and critically analyze the government's performance. Russian citizens who want a wider view must make an extra effort to find such opinions in the remnants of the free press and local electronic media or on the internet.

This is the context for Russia's relations with the United States, some of its neighbors, and Europe. We do not share many elements of the Russian view of recent history, but it is important to understand the Russian mindset, which may account for some of the current rhetoric coming from Moscow.

President Bush and the Administration have avoided a rhetorical race to the bottom as we approach our relationship with Russia. We have sought to address problems in a constructive spirit wherever possible while at the same time – and this is important – remaining firm in defense of our principles and friends. Strategically, the Administration seeks to protect and advance the new freedoms that have emerged in Eastern Europe and Eurasia, and to do so in parallel with the development of a partnership with Russia.

We want to address problems around the world where we have common interests. Indeed, much of Russia's recent rhetoric about the United States is harsher than the reality of our cooperation. In our efforts, both to develop partnership with Russia and deal with challenges from Russia, we are working with our European allies. Given the Russian mood that I have described, this will take time and strategic patience in the face of problems and pressure. It will require steadiness on our part and that of our European Allies, and steadfast adherence to fundamental principles.

Nevertheless, the historical forces that I have laid out have had a deep impact on Russia's relations with the world.

They may explain, for example, why the Russians have alleged that U.S. plans to establish rotational training facilities in Romania and Bulgaria are a potential threat to Russia and constitute permanent stationing of substantial combat forces. They charge that these plans thus violate political commitments made in the NATO-Russia Founding Act, signed in 1997.

Neither is true, of course. Our plans do not involve substantial combat forces, nor would U.S. forces be permanently stationed in those countries. Our plans are for periodic rotational training deployments of one brigade combat team. This is no threat to Russia, which has the largest conventional military forces on the continent, nor is it intended to be. Training and temporary movement of brigade-size units to Bulgaria and Romania can hardly threaten Russia.

Last April 26, the day of a NATO Foreign Ministers and NATO-Russia Council meeting in Oslo, President Putin suggested he would consider suspending Russia's implementation of the Conventional Forces in Europe Treaty (CFE) if no progress were made on ratification of the Adapted CFE Treaty by NATO Allies.

This declaration triggered immediate concern that Russia intended to weaken or even end this highly successful multilateral arms control regime. At the NATO foreign ministers meeting, and last week at the Extraordinary Conference on CFE in Vienna, which I attended as head of delegation, the United States and its allies made the point that we regard the CFE regime as the cornerstone of European security; that we welcome the opportunity to address Russia's concerns about the Treaty; and that we are eager to ratify the Adapted CFE Treaty. We also made clear, however, that we looked for Russia to fulfill the commitments it made when we signed the Adapted CFE in 1999 in Istanbul, including the withdrawal of Russian forces that are in Georgia and Moldova without those governments' consent.

The United States and our allies are prepared to be creative in helping Russia meet its Istanbul commitments and open to addressing Russia's concerns about the Adapted CFE Treaty. We hope that Russia will work with us, and not simply make ultimatums and withdraw from the Treaty, damaging European security to no good end.

For many weeks, Russia chose to react with skepticism verging on hostility to plans by the United States to place elements of a limited missile defense system in Poland and the Czech Republic. This modest system is intended to protect the United States and its European allies against missile threats from the Middle East. We have sought to address Russian concerns through more than 18 months of consultations, seeking to assure Russia that this system cannot possibly damage their own nuclear force.

We have also sought Russian cooperation on missile defense for many years and last April proposed a comprehensive package of suggestions for cooperation across the full spectrum of missile defense activities.

At the G8 Summit two weeks ago in Germany, President Putin put forth his own ideas for missile defense cooperation. Meeting with President Bush, President Putin proposed that the "Gabala" Russian-operated radar in Azerbaijan be used jointly for missile defense purposes. The proposal acknowledged the potential ballistic missile threat from Iran and the need to protect Europe, Russia and the United States from such a threat.

We look forward to discussing with Russia all ideas for missile defense cooperation. Europe, the United States, and Russia face a common threat and should seek common solutions. Of course, any U.S.-Russia discussions regarding the use of the existing Azerbaijani radar for missile defense purposes would be done in full consultation and cooperation with the government of Azerbaijan.

Finding a solution for the status of Kosovo constitutes one of the most acute problems in Europe today, and one in which Russia's position will make a critical difference. The stakes are high. Resolution of Kosovo's status is the final unresolved problem of the breakup of former Yugoslavia. Eight years after NATO forces drove out the predatory armies of the nationalist Milosevic regime, a UN Envoy for Kosovo Status, former Finnish President Marti Ahtisaari, has

concluded that the only solution is Kosovo's independence, supervised by the international community, and with detailed guarantees, enforceable and specific, to protect Kosovo's Serbian community. The comprehensive plan developed by President Ahtisaari has the full support of the United States and Europe.

We now seek a UN Security Council Resolution to bring into force Ahtisaari's Plan and pave the way for Kosovo's supervised independence. Russia played an important and constructive role in framing the Ahtisaari Plan, which in fact meets Russia's concerns about protection of Kosovo's Serbian community and Serbian Orthodox religious sites. We are eager to find a solution at the Security Council that Russia can support. But further delay and endless negotiations will not solve the problem. And we must solve it, because the status quo is not stable. U.S. and European troops under NATO are keeping the peace but must not be put into an impossible position.

So far, Russia continues to reject any solution that is not approved by Serbia, even the creative compromise suggested by French President Nicholas Sarkozy at the G8; and Serbia has made clear that it will never agree to Kosovo's independence. Moreover, Russia suggests that a Kosovo solution involving independence will constitute a precedent leading to the recognition of the independence of Abkhazia, South Ossetia, and Transnistria, as well as drive separatist movements elsewhere around the globe.

We believe that such a position is destabilizing and reckless. Kosovo is a unique situation because of the specific circumstances of Yugoslavia's overall violent and non-consensual breakup, the existence of state-sponsored ethnic cleansing, the threat of a massive humanitarian crisis bringing about NATO intervention to prevent it, and subsequent UN governance of Kosovo under a Security Council resolution that explicitly called for further decisions on Kosovo's final status. It constitutes no precedent for any other regional conflict anywhere in the world.

We will move forward. As President Bush said in Tirana on June 10, "I'm a strong supporter of the Ahtisaari plan…[T]he time is now. ... [W]e need to get moving; and . . . the end result is independence."

Delay or stalemate will likely lead to violence. Russia can yet play a helpful role.

Let me be clear. There is no linkage or similarity between Kosovo and Georgia's breakaway provinces of Abkhazia and South Ossetia, and Moldova's breakaway Transnistria region. That said, we want to work with Russia to help resolve these conflicts peacefully. Russian-Georgian relations, after a period of extreme tension, have shown tentative signs of improvement, but we hope that Moscow does more to normalize relations. Russia should end the economic and transportation sanctions it imposed against Georgia last fall.

For its part, Georgia needs to continue to avoid provocative rhetoric and to pursue exclusively peaceful and diplomatic means of resolving the separatist

conflicts, as indeed it has for some time now. Moscow should recognize that a stable, prospering Georgia is surely a better neighbor than the alternative.

We do not believe that Georgia's Euroatlantic aspirations, or Ukraine's, need drive these countries from Moscow; we do not believe in a zero-sum approach or that these countries must chose between good relations with Moscow and the Euroatlantic community.

Russia's energy resources, and its position as transit country for the energy resources of Central Asian states, constitute a source of national wealth and a potential source of political power and leverage for Russia in its region. We have seen this demonstrated in the case of Ukraine in 2006. Russia also faces growing domestic demand for energy and thus needs massive investment and technology even to maintain current production levels. At the same time, and somewhat inconsistently, Moscow seems to want to circumscribe foreign presence in its energy sector and maintain its near-monopoly over Central Asian energy exports to Europe. Thus, Russia's energy policy sends mixed signals to its foreign partners as Moscow seeks to balance these competing demands.

For our part, we seek an open and cooperative energy relationship with Moscow and have sought to use our bilateral energy dialogue, launched with high hopes in 2003, to this end. We have enjoyed some successes, such as the ConocoPhillips-Lukoil deal, the success of ExxonMobil in Sakhalin-1 in Russia's Far East, and the continued presence of U.S. energy services companies in Western Siberia and the Volga-Urals. But recent state pressure on foreign energy investors has limited the scope for cooperation.

The Caspian region is ripe for further energy development. The key question is what form this will take. Russia will be a major player in Central Asia's energy sector under any scenario. We believe that Central Asian countries would be wise to court more than one customer and more than one source for energy transport. The U.S. government does not support monopolies or cartels. We believe in competitive markets for energy and transport of oil and gas. America's Eurasian energy security policy promotes diversification, and that includes efforts to advance reliable, long-term flows of natural gas from the Caspian region to European markets.

Last month, the Presidents of Russia, Kazakhstan, and Turkmenistan issued a declaration pledging to cooperate on increasing natural gas exports from Central Asia to Russia. This declaration attracted attention and misplaced speculation in the press. But in reality, the three Presidents' statement need have no direct impact on U.S. government effort to develop multiple gas pipeline routes from the Caspian Sea region to Europe.

We continue to convey the message that despite continued strong economic growth, Russia must look to the long-term and attract investment into its energy sector. Greater U.S. investment in this sector would serve the interests of both countries: American companies have the capital and high technology Russia needs to exploit many of its oil and gas fields.

Although the investment climate has improved on some fronts, investment in Russia – in energy and other areas – presents a mixed picture. Many American companies are doing well in Russia and we wish them success. The best way to sustain Russia's development is through judicial reform to strengthen rule of law, banking reform to improve the capacity of the financial sector, accounting reform to promote greater transparency and integration into international business standards, improved corporate governance, and reduction of government bureaucracy.

Following the bilateral market access agreement we signed last November, the United States strongly supports Russia's WTO accession. Russia is the largest economy remaining outside of the WTO, and there is still a considerable multilateral process to complete, but we believe it is important for Russia to become more integrated into the world economy.

As we continue to work with Russia in the multilateral process, we are focusing on some key outstanding concerns, particularly on intellectual property rights (IPR), market access for beef, and barriers to trade in agricultural products (SPS issues). Russia will need to resolve all outstanding bilateral and multilateral issues before it accedes to the WTO. We hope this process, and also prompt graduation of Russia from Jackson-Vanik restrictions, can be completed.

The complexities of Russia's relations with its neighbors, with Europe and with the United States reflect broader, negative trends on human rights and democracy in Russia itself. As President Bush said in his recent speech in Prague, "In Russia, reforms that were once promised to empower citizens have been derailed, with troubling implications for democratic development."

Curtailment of the right to protest, constriction of the space of civil society, and the decline of media freedom all represent serious setbacks inconsistent with Russia's professed commitment to building and preserving the foundations of a democratic state. And these setbacks ultimately weaken any nation as well as the partnership we would like to have with Russia.

The increasing pressure on Russian journalists is especially troubling. Vigorous and investigatory media independent of officialdom are essential in all democracies. In Russia today, unfortunately, most national television networks are in government hands or the hands of individuals and entities allied with the Kremlin. Attacks on journalists, including the brutal and still unsolved murders of Paul Klebnikov and Anna Politkovskaya, among others, chill and deter the fourth estate.

Also deeply troubling, the Kremlin is bringing its full weight to bear in shaping the legal and social environment to preclude a level playing field in the upcoming elections. There have been many instances in which the authorities have used electoral laws selectively to the advantage of pro-Kremlin forces or to hamstring opposition forces.

The ban on domestic nonpartisan monitors also seems to have been based on political criteria. The challenges to rights of expression, assembly and association also run counter to a commitment to free and fair democratic elections. Last year, the Duma enacted amendments to the criminal and administrative codes redefining "extremism" so broadly and vaguely as to provide a potent weapon to wield against and intimidate opponents. Greater self-censorship appears to be a major consequence in this effort.

Against this background, the United States and its European Allies and friends continue to support Russian democracy and civil society. We speak out and reach out to civil society and the opposition, and will continue to do so. We also maintain an open dialogue with the Russian government on these issues. We are not, charges to the contrary, seeking to interfere in Russia's domestic political affairs. Such charges of outside interference are as misplaced as they are anachronistic.

We will, however, always stand for the advance of freedom and democracy. Russia's development of democratic institutions is not of marginal interest to us. America along with the rest of the international community, including Russia, some time ago abandoned the notion that the internal character of nations was none of our business. As the President said at the recent Prague summit on freedom and democracy, attended by representatives of Russia's democratic forces, expanding freedom is more than a moral imperative – it is the only realistic way to protect free people in the long run. The President recalled Andrei Sakharov's warning that a country that does not respect the rights of its own people will not respect the rights of its neighbors.

The United States and the Euroatlantic community must accept that we will work with, and live with, a much more assertive Russia for some time to come. We welcome a strong Russia; a weak, chaotic, nervous Russia is not a partner we can work with or count on. But we want to see Russia become strong in twenty-first century and not nineteenth century terms.

Some stabilization after the 1990s was inevitable and positive. But a modern nation needs more than a strong center. It needs strong democratic institutions: independent regulatory bodies, independent and strong judicial organs, independent media and civil society groups. In this century, strength means strong independent institutions, such as the judiciary, the media and NGOs, not just a strong center. And it means political parties that grow from and represent and reflect the interests of the entire citizenry, not merely those of a government bureaucracy or a small number of oligarchs. Russia's modernization may yet produce a property owning class that will come to demand a different relationship with the state than Russians have traditionally known.

In its foreign policy, a truly strong and confident nation has productive and respectful relations with sovereign, independent neighbors. Strength in this century means avoiding zero-sum thinking. It means especially avoiding thinking of the West in general and U.S. in particular as an adversary or independent

neighbors as a threat. And we must avoid thinking of Russia as an adversary, even as we deal with serious differences.

We must also remember the many areas where we continue to cooperate well with Russia. One of these is counter terrorism, where, sadly, the U.S. and Russia have been victims and where we enjoy strong cooperation. The U.S.-Russia Counterterrorism Working Group met last fall and will meet again in a few months. Its mission is to continue and deepen cooperation on intelligence, law enforcement, WMD, terrorist financing, counternarcotics, Afghanistan, UN issues, MANPADS, and transportation security. Under our Mutual Legal Assistance Treaty, we also work closely on transnational crime, which covers terrorism, but also addresses drug-trafficking and organized crime, human-trafficking and child exploitation, internet fraud, and violent crime.

Last year, the United States and Russia worked together to create the Global Initiative on Nuclear Terrorism. In the span of a year, over fifty countries have joined the Global Initiative, which fosters cooperation and improves the abilities of partner nations to counter various aspects of nuclear terrorism. In that year, the U.S. and Russia have continued to work hand in hand on expanding the Initiative's scope and depth in what serves as a real example of bilateral cooperation.

Our strategic cooperation is intensifying. Last year we renewed until 2013 the Cooperative Threat Reduction (CTR) program, which facilitates dismantlement of weapons of mass destruction in the former Soviet Union.

We cooperate well on nuclear nonproliferation, both common global nonproliferation goals, and specifically to contain the nuclear ambitions of North Korea and Iran. Although Moscow has sometimes voiced disagreement with our approach to sanctions and other measures, Russia voted for UN Security Council Resolutions that impose sanctions on North Korea and Iran. The United States and Russia also participate productively in the Six-Party Talks on North Korea, and we and Russia are cooperating well on complex banking issues having to do with North Korea.

We continue to pursue cooperation through the NATO-Russia Council, the NRC. We have a broad menu of cooperative NRC initiatives involving diverse experts on both sides, including Russian participation in Operation Active Endeavor and counternarcotics programs in Afghanistan. The Russian Duma's ratification of the Status of Forces Agreement (SoFA) with NATO opens up greater opportunities for cooperation.

Despite the differences, then, cooperation between the United States and Russia is broad, substantive, and includes cooperation on critical, strategic areas.

Our areas of difference are also significant.

We face a complex period in relations with Russia, as I have said. The past months have been especially difficult and the issues that we face, Kosovo especially, may strain our relations.

In this context, we must remain steady. We cannot give way to lurches of exaggerated hopes followed by exaggerated disappointment.

The strategic response to the challenges presented by the Russia of today means defending our interests while building on areas of common concern, as we have done. It means finding the right balance between realism about Russia and the higher realism of commitment to defend and advance our values. It means offering the hand of cooperation and taking the high road wherever possible, but standing up for what we believe is right and in all cases working with our Allies.

The last three American Presidents have sought in various ways to find this balance. All faced the fact that relations with Russia cannot be resolved on a timetable or according to an agenda that we prefer. But since 1989 we have seen a Cold War end, an empire dissolved, and the beginnings of partnership take root.

Mr. Chairman, Senator Lugar, I hope we can take lessons from our successes as well as learn our lessons about continuing challenges.